

Message Text

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PAGE 01 SAN SA 02946 241528Z

46

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 AGR-05 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01

TAR-01 AF-06 /105 W

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R 241433Z JUL 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 8672

INFO AMEMBASSY PANAMA

AMEMBASSY MEXICO CITY

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY LONDON

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EAGR, ES

SUBJECT: INITIAL SALVADORAN REACTION TO BRAZILIAN FROST

1. SALVADORAN COFFEE COMPANY (CSC) OVER WEEKEND ANNOUNCED SUSPENSION OF PURCHASES FROM PRODUCERS AND QUOTATION OF PRICES UNTIL JULY 23, IN VIEW OF RAPID INCREASE OF INTERNATIONAL PRICE DUE TO BRAZIL FROST. CSC RESUMED PURCHASES JULY 23, QUOTING BETWEEN 115 AND 120 COLONES (\$46-48) PER 46 KILO BAG.

2. COFFEE COMPANY AND PRODUCER'S ASSOCIATION OFFICIALS INTER-
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VIEWED SINCE NEWS OF FROST BROKE MAINTAIN EL SALVADOR HAS NO

DESIRE TO TAKE UNFAIR ADVANTAGE OF SITUATION BUT THAT THEY WILL TRY TO RECOUP LOSSES SUFFERED IN RECENT MONTHS. ALL MAINTAIN THAT EL SALVADOR REMAINS INTERESTED IN CONCLUDING NEW COFFEE AGREEMENT. CSC DIRECTOR FALLA CACERES SAID BRAZILIANS WOULD HAVE TO MAKE SUBSTANTIAL CONCESSIONS TO OTHER PRODUCERS ON QUOTAS. HE SUGGESTED FORMULA UNDER WHICH 50 PERCENT OF QUOTE WOULD BE FIXED AND 50 PERCENT DEPENDENT UPON STOCKS WOULD BE POSSIBLE SATISFACTORY SOLUTION IN LIGHT OF NEW SITUATION. AS BRAZILIAN PRODUCTION RECOVERED, GROWTH TF STOCKS WOULD PROVIDE HER GROWING SHARE OF VARIABLE QUOTA.

3. CSC SOURCE GAVE FOLLOWING APPROXIMATE INFORMATION ON CURRENT SALVADORAN STOCKS:

800,000 60 KILO BAGS, CSC STOCKS WITHIN EL SALVADOR

400,000 60 KILO BAGS, ESTIMATED HOLDINGS OF EB

ORTERS

AND PRODUCERS.

200,000 69 KILO BAGS, CSC STOCKS ABROAD.

LATTER FIGURE REPRESENTS CSC SHARE OF PURCHASES MADE IN COOPERATION WITH OTHER PRODUCERS IN RECENT EFFORTS TO "STABILIZE" PRICES.

CAMPBELL

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